

Briefing
National Energy Policy
Friday, June 25, 2021

NEAT (National Energy Advisory Team)

Next Meeting, Monday, July 6, 2021 at 2:00 pm CST

The previous meeting of the group was held on Monday, June 21, 2021.

Recurring Hot Topics

- E.O. 13990 and the CAA 111 Oil and Gas Performance Standards (OOOOa)
- IOGCC & EPA Taskforce Member Selection and Taskforce Meeting

Oil and Gas

Chevron Planning \$1B Permian Asset Sale

Chevron is reportedly planning to sell oil assets in the Permian that could fetch up to \$1 billion, according to unnamed sources [[HYPERLINK "https://www.reuters.com/business/energy/chevron-sell-some-permian-assets-valued-more-than-1-bln-sources-2021-06-30/"](https://www.reuters.com/business/energy/chevron-sell-some-permian-assets-valued-more-than-1-bln-sources-2021-06-30/)] by Reuters. According to Reuters, the supermajor has confirmed plans for sale involving conventional oil fields but did not specify the value of a possible deal or deals. Chevron has hired an investment bank to find buyers for assets worth \$879 million. It has also earmarked another \$200 million worth of Permian fields for sale, sources told the media outlet. A pickup in asset sales was expected as oil prices rebound, reaching the highest in more than two years. Companies, even as large as Chevron, could do with the additional cash while offloading non-core assets. "The big picture is that Chevron has one of the largest and most advantaged positions in the Permian and is able to test the capital discipline of the industry with what it would consider marginal assets that are a much smaller package than the Shell potential offering," Reuters quoted analyst Paul Sankey as saying.

Chevron's low-cost Permian assets are its primary growth driver, Zacks analysts [[HYPERLINK "https://finance.yahoo.com/news/zacks-industry-outlook-highlights-exxon-125312147.html"](https://finance.yahoo.com/news/zacks-industry-outlook-highlights-exxon-125312147.html)] earlier this week in an industry outlook. In addition to its strict capital discipline and conservative spending plans, these assets should help it weather the effects of the latest crisis and continue growing.

Besides being more conservative with its spending plans than most peers, Chevron is also bucking a trend in business diversification that has had European supermajors scrambling to boost their exposure to wind and solar energy while reducing their oil and gas output.

Recently, the company [[HYPERLINK "https://oilprice.com/Energy/Energy-General/Chevron-Wont-Cut-Oil-Gas-Business-For-Renewables.html"](https://oilprice.com/Energy/Energy-General/Chevron-Wont-Cut-Oil-Gas-Business-For-Renewables.html)] it had no plans to reduce its oil and gas production and start investing in wind and solar energy. That's despite a majority of shareholders voting at the company's latest AGM to have it reduce its Scope 3 emissions—the ones generated by the use of its products.

Big oil and gas kept a dirty secret for decades. Now they may pay the price

Via an unprecedented wave of lawsuits, America's petroleum giants face a reckoning for the devastation caused by fossil fuels

After a century of wielding extraordinary economic and political power, America's petroleum giants face a reckoning for driving the greatest existential threat of our lifetimes.

An unprecedented wave of lawsuits, filed by cities and states across the US, aim to hold the oil and gas industry to account for the environmental devastation caused by fossil fuels – and covering up what they knew along the way.

Coastal cities struggling to keep rising sea levels at bay, midwestern states watching “mega-rains” destroy crops and homes, and fishing communities losing catches to warming waters, are now demanding the oil conglomerates pay damages and take urgent action to reduce further harm from burning fossil fuels. But, even more strikingly, the nearly two dozen lawsuits are underpinned by accusations that the industry severely aggravated the environmental crisis with a decades-long campaign of lies and deceit to suppress warnings from their own scientists about the impact of fossil fuels on the climate and dupe the American public.

The environmentalist Bill McKibben once characterized the fossil fuel industry’s behavior as “the most consequential cover-up in US history”. And now for the first time in decades, the lawsuits chart a path toward public accountability that climate activists say has the potential to rival big tobacco’s downfall after it concealed the real dangers of smoking.

“We are at an inflection point,” said Daniel Farber, a law professor at the University of California, Berkeley and director of the Center for Law, Energy, and the Environment.

“Things have to get worse for the oil companies,” he added. “Even if they’ve got a pretty good chance of winning the litigation in places, the discovery of pretty clearcut wrong doing – that they knew their product was bad and they were lying to the public – really weakens the industry’s ability to resist legislation and settlements.” [[HYPERLINK](https://www.theguardian.com/environment/2021/jun/30/climate-crimes-oil-and-gas-environment)

"<https://www.theguardian.com/environment/2021/jun/30/climate-crimes-oil-and-gas-environment>"].

Study: EPA underestimated methane emissions from oil and gas development

The Environmental Protection Agency (EPA) has underestimated methane emissions caused by oil and gas production by as much as 76 percent, according to research published Tuesday in the Journal of Geophysical Research: Atmospheres.

Researchers from Pennsylvania State University collected data in the mid-Atlantic, mid-South and central Midwest of the U.S. from 2017 to 2019, tracking the movement of carbon dioxide, methane and ethane within weather systems. They then studied ethane-to-methane ratios from oil and gas production basins and compared to them an EPA inventory of those emissions.

The [[HYPERLINK "https://agupubs.onlinelibrary.wiley.com/doi/10.1029/2020JD034194"](https://agupubs.onlinelibrary.wiley.com/doi/10.1029/2020JD034194)] at levels between 48 percent and 76 percent higher than the EPA's estimates. The researchers said they specifically analyzed ethane because it is only produced alongside certain methane emissions, whereas methane can be produced naturally and by landfills. Ethane also only lingers in the atmosphere for months at a time and offers a clearer picture of how recent the methane emissions occurred.

In a statement to The Hill, the EPA said its greenhouse gas emissions inventory methods are continually updated based on stakeholder feedback.

"Given the variability of practices and technologies across oil and gas systems and the occurrence of episodic events, it is possible that the EPA's estimates do not include all methane emissions from abnormal events," an agency spokesperson said.

"For many equipment types and activities, the EPA's emission estimates include the full range of conditions, including 'super-emitters.' For other situations, where data are available, emissions estimates for abnormal events are calculated separately and included in the GHG Inventory," the spokesperson added. "The EPA continues to work through its stakeholder process to review new data from the EPA's Greenhouse Gas Reporting Program (GHGRP) and research studies to assess how emissions estimates can be improved." [[HYPERLINK](https://thehill.com/policy/energy-environment/560751-epa-underestimated-methane-emissions-from-oil-and-gas-development)

"<https://thehill.com/policy/energy-environment/560751-epa-underestimated-methane-emissions-from-oil-and-gas-development>"].

Week of 6/25, reported on 07/01

EIA Gas Storage Report, US Lower 48 States

2,558 BCF, up from 2,482 BCF previous week, 3,068 BCF one year ago.

Five-year average is 2,701 BCF for this week.

2018-2020 Max fill was about 4,000 BCF, so we are about 63.9% full.

US Rig Count

From Baker Hughes as of June 25, 2021

The US rig count increased this week to 475. The US rig count is rebounding from its recent low of 244 on August 14, 2020.

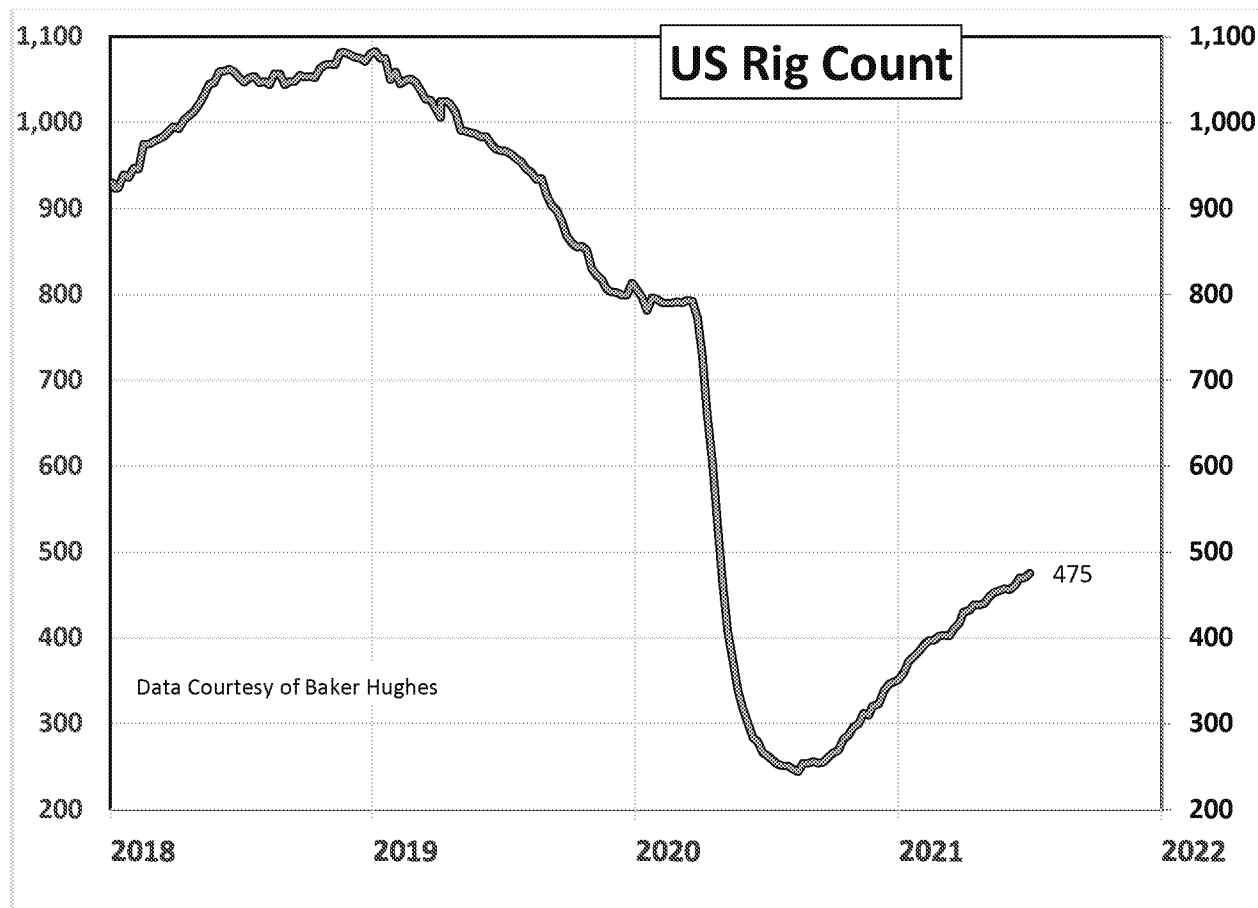
US rig count has rebounded from its low and is currently increasing with only three weeks of declining rig counts in the last nine months.

475 US rigs this week.

470 US rigs last week.

Up 212 rigs from one year ago (44.6% increase), 263 one year ago

237 active rigs in Permian Basin (49.9% of total)



Drilling rigs are active in 15 states this week.

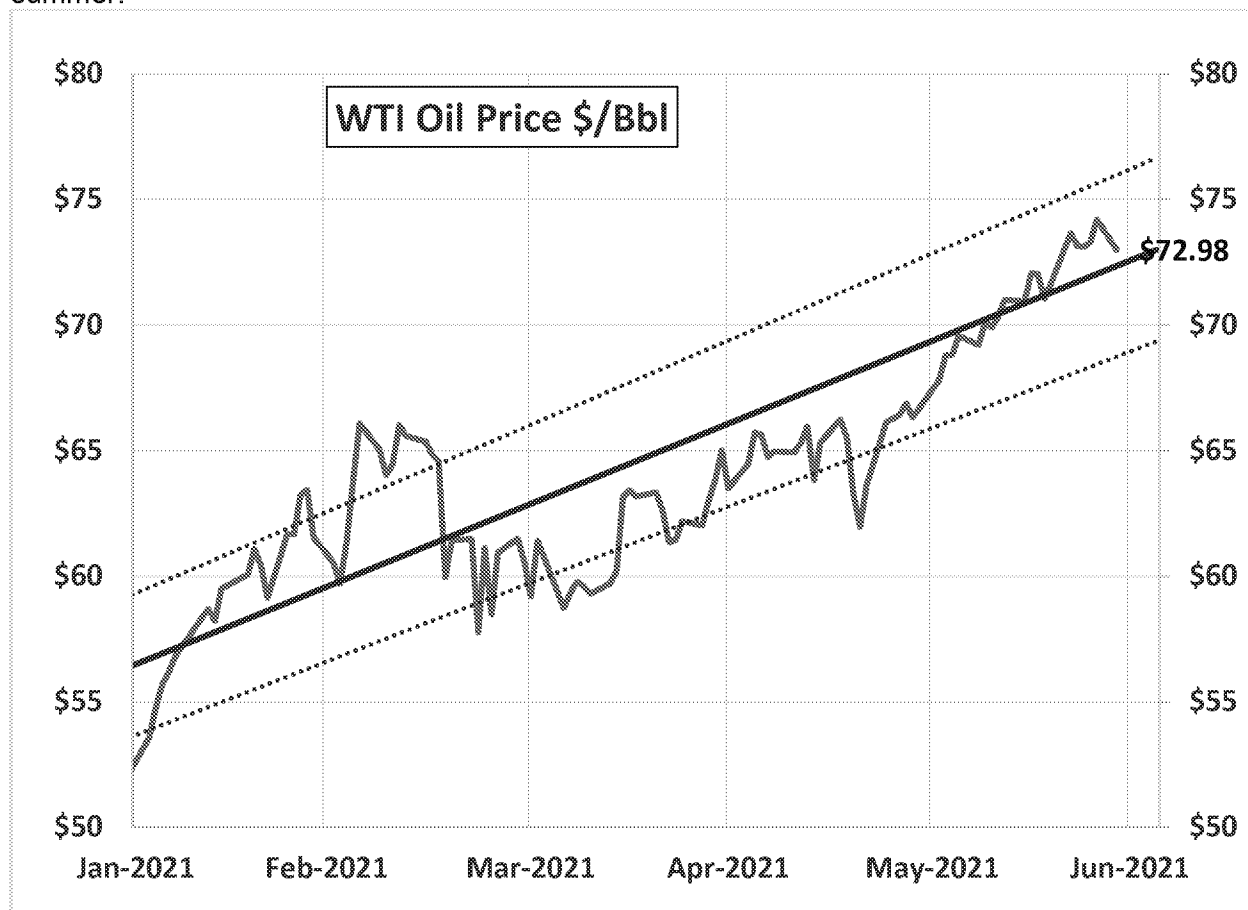
Date	TX	NM	LA	OK	PA	ND	CO	UT	WY	WV	OH	CA	AK	IL	MI	US
6/25/2021	221	75	52	27	18	17	10	10	10	9	9	6	4	1	1	470

7/2/2021	222	75	52	27	19	18	13	10	9	9	9	6	4	1	1	475
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[LINK Excel.Sheet.8 "https://d.docs.live.net/4270380a6b5bd942/!Personal/NEPA/EIA OIL Production/EIA Prodn Data Keep.xls" "Sheet1!R38C8:R52C15" \a \f 4 \h * MERGEFORMAT]

WTI Oil Price

WTI oil price has demonstrated a robust increase since November 2020, with a notable jump three months ago. Forecasts as of 04/29/2021 have WTI approaching \$80 a barrel by mid-summer.



Weekly US Crude Oil Stock (excluding SPR) for the week ending on 06/25/2021 is 452,342 thousand barrels

Down 6,718 thousand barrels from 459,060 thousand barrels the previous week.

March 2021 released May 28, 2021

EIA Oil Production

US oil production for March-2021 was 11.56 million barrels per day (BOPD), up 1,696,000 BOPD from February's production rate. This is an 17.2% increase from February's rate. Texas led with a month over month production increase of 1,071,000 BOPD.

March-21 Thousand BOPD			Recent High	
MoM %	YoY %		Change %	

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	US	11,557	17.2%	-9.3%		Nov-19	-10.1%
1	TX	4,903	28.0%	-9.8%		Mar-20	-9.8%
	GOM	1,932	9.7%	0.1%		Aug-19	-5.5%
2	NM	1,193	21.7%	7.5%		Mar-21	7.5%
3	ND	1061	4.1%	-24.7%		Nov-19	-30.1%
4	AK	468	2.6%	-0.2%		Mar-17	-10.9%
5	OK	417	29.8%	-24.0%		Apr-19	-32.0%
6	CO	380	3.0%	-22.7%		Nov-19	-32.5%
7	CA	376	3.1%	-10.7%		Apr-15	-33.2%
8	WY	231	3.1%	-18.3%		Dec-19	-23.4%
9	LA	101	12.2%	-10.0%		May-15	-46.7%
10	UT	94	10.8%	-3.8%		Sep-18	-15.3%

Natural Gas Price

Henry Hub Spot closed on June 28 at \$3.62/MMBtu after the \$23.86/MMBTU spike from February 17.

